

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

WORKFORCE COMMITTEE

Friday, August 1, 2008
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Tony Grindberg, Ray Holmberg, Tom Seymour; Representatives Donald L. Clark, Stacey Dahl, Mary Ekstrom, Eliot Glasheim, Nancy Johnson, George J. Keiser, Lisa Meier, Lee Myxter, Dan J. Ruby, Clark Williams

Members absent: Senator Dave Nething; Representatives Glen Froseth, Pam Gulleson, Steve Zaiser

Others present: See [Appendix A](#)

It was moved by Representative Keiser, seconded by Representative Clark, and carried on a voice vote to approve the minutes of the October 29, 2007; February 5-6, 2008; February 12-13, 2008; April 9-10, 2008; and June 24, 2008, meetings of the committee.

Chairman Grindberg said the primary purpose of this meeting is to generate requests for bill drafts or additional information so the committee can conclude its activities in one or two additional meetings.

REPORTS

Mr. Paul T. Govig, Assistant Director, Department of Commerce, and Director, Division of Community Services, presented the business incentive report required under North Dakota Century Code (NDCC) Section 54-60.1-07; the renaissance zone report required under Section 40-63-03; and the renaissance zone conference report required under Section 19 of 2007 House Bill No. 1018.

Mr. Govig said the "Annual Report on Business Incentives" ([Appendix B](#)) provides information on the number of jobs targeted to be created or retained by each recipient of state grantor business incentive grants, the number of jobs achieved in comparison to the jobs targeted by each recipient, the average compensation of jobs targeted, and the average compensation of jobs created or retained by each recipient. The report indicates that the value of state grantor incentives during 2006-07 under the North American Industrial Classification System was \$44,012,863.03 and the value of state grantor incentives under the Business Incentive Agreements was \$82,229,792.21. He said the difference in the totals relates to the fact that businesses self-categorize under Business Incentive Agreements and indicate more than one purpose for the grants. He said with respect to the number of jobs created,

the incentive may be given in one year but many of the jobs may be created in the following year or later so the numbers may roll over into the following years.

In response to a question from Representative Glasheim, Mr. Govig said the \$44 million in incentives consists of direct dollars provided as well as tax benefits provided. He said he could provide the actual breakdown to committee members if that is desired.

Representative Keiser said the creation of 1,221 jobs in return for \$44 million in incentives appears to be a relatively low payback. Mr. Govig said because of the "clawback" provisions, businesses are hesitant to be optimistic in setting goals for number of employees. Representative Keiser said at approximately \$36,000 per job created, there may be a conclusion that the businesses should be providing something more in job creation. Senator Grindberg said the figures may be somewhat skewed by the \$17 million in incentives for ethanol plants, which is basically capital investment rather than labor investment.

Mr. Govig reviewed the "Annual Report on Renaissance Zone" ([Appendix C](#)). The report notes that for the period July 1, 2007, through June 30, 2008, there have been 107 projects approved at the state and local level and 93 completed projects, which have included 11 new businesses, 7 business expansions, 4 commercial building constructions, 29 single family home purchases, construction, or rehabilitation, 146 new jobs, and 66 new residents.

Mr. Govig reviewed the "Department of Commerce's Report on Renaissance Conference" ([Appendix D](#)). As a result of the conference on February 6, 2008, he said, suggested enhancements to the renaissance zone program were to extend the 15-year time period for a renaissance zone (which would require legislation); include the cost of demolition in the project (which can be done administratively); eliminate the half-mile requirement for the three-block island (which would require legislation); and allow the historical tax credits to be transferred to new owners (which would require legislation but may be impacted because of federal requirements for historical tax credits).

In response to a question from Senator Grindberg, Mr. Govig said discussion at the conference was limited with respect to including utility lines as part of a renaissance zone project. Representative Keiser said this is an issue in Bismarck because the utilities would

prefer to place downtown utility lines underground, which is very expensive. He said this also is a demolition issue as is redoing a parking lot.

JOB DEVELOPMENT AUTHORITY STUDY

Mr. Terry Traynor, Assistant Director, North Dakota Association of Counties, presented testimony ([Appendix E](#)) regarding equity positions of county joint development associations. Mr. Traynor said the North Dakota Association of Counties and the North Dakota League of Cities developed questions of local job development authorities concerning the taking of equity positions. He said the responses were separated into those relating to county job development authorities and city job development authorities. He said only six county organizations indicated they had used equity position financing to support economic development projects. The average equity investment for the eight specific projects cited was \$35,000 with a high of \$90,000.

In response to a question from Representative Johnson, Mr. Traynor said job development authority directors have indicated any future equity positions taken would depend on the specific project and whether that position would be necessary to make the project a success.

In response to a question from Representative Ruby, Mr. Traynor said job development authority personnel have indicated equity positions are only part of an entire package, and the package includes involvement by financial institutions. He said the assumption is that financial institutions do not object to the use of equity positions of job development authorities.

Chairman Grindberg recognized Ms. Connie Ova, Jamestown Stutsman Development Corporation, Jamestown, for comments on equity positions. Ms. Ova said the Jamestown Stutsman Development Corporation has taken two equity positions during her tenure with the corporation. She said one position was for \$30,000 in preferred stock, which was converted to a loan that was paid back when the project was consolidated into ownership by one individual. Since 1994, she said, there have been four to five projects with equity positions, two have been paid back in full and two have gone through foreclosure. She said the position of the Jamestown Stutsman Development Corporation is to become more conservative with the use of preferred stock and to rely on the partnership in assisting community expansion (PACE) fund interest buydown or a grant. She said one current project involves \$2 million for the ethanol plant. She said all projects are reviewed by the Jamestown Stutsman Development Corporation attorney, the executive committee, and the city attorney. She said the corporation is funded by four mills levied by Stutsman County and the 1 percent Jamestown sales tax.

In response to a question from Representative Glassheim, Ms. Ova said the \$2 million available for the ethanol plant is in escrow and the company will be able to access those funds when ground is broken for the plant.

The committee received a survey of city job development authorities ([Appendix F](#)) prepared by the North Dakota League of Cities. The summary indicates Devils Lake, Hazen, Mayville-Portland, and Wishek have taken equity positions in projects.

WORKFORCE STUDY

Chairman Grindberg recognized Mr. Bruce Murry, Public Policy Advocate, Protection and Advocacy Project, Bismarck. Mr. Murry distributed prepared testimony ([Appendix G](#)) urging the committee to consider two issues important to people with disabilities: finding meaningful and rewarding employment and hiring qualified workers to provide disability services. He also distributed brochures entitled *Where Will Your Work Force Come From?*, *Interagency Program for Assistive Technology*, *Do You Receive SSI or SSDI?*, and *North Dakota Work Incentives Planning & Assistance*, copies of which are on file in the Legislative Council office.

Chairman Grindberg referred to the report for the Workforce Committee entitled *Workforce System Policy and Implementation Options and Recommendations* ([Appendix H](#)) and *State Automation/Technology Tax Credit Programs Best Practice Summary* ([Appendix I](#)), prepared by Thomas P. Miller and Associates, and a letter from Mr. Cory Fong, Tax Commissioner ([Appendix J](#)). He said the reports and letter had been distributed to committee members and requested members to review the reports and letter and determine which items merit requests for bill drafts for consideration by the committee. Additionally, Mr. Fong provided committee members a copy of the pamphlet entitled *North Dakota Tax Incentives for Business*, a copy of which is on file in the Legislative Council office.

Chairman Grindberg referred to a Legislative Council memorandum entitled *Workforce Issue Distribution Proposal - Education Committee, Higher Education Committee, and Workforce Committee* ([Appendix K](#)). He said the memorandum lists the proposed distribution of workforce issues addressed at the joint meeting of the interim Education, Higher Education, and Workforce Committees on June 24, 2008. Senator Holmberg said the Higher Education Committee is addressing those workforce issues within its assigned studies. Chairman Grindberg said the distribution of workforce issues to committees other than the Workforce Committee does not mean the Workforce Committee cannot make recommendations regarding those issues.

Representative Keiser said the Bank of North Dakota has a substantial student loan portfolio. He said the state could address the student loan situation by some type of interest reduction program and possibly some type of loan forgiveness program

depending on employment in the state. He gave as examples a 3.5 percent interest on a student loan versus a regular 5 percent interest, and a refund of interest paid on a loan upon completion of two years' employment in the state.

Senator Seymour said another way to assist students is to reduce tuition by one-half and provide for that forgiven one-half to be paid by the Bank of North Dakota. Representative Ruby said there is value in requiring an individual to pay back a loan.

Senator Grindberg said another way to reduce student debt burden is providing a tax credit for being in the workforce for a number of years.

Representative Ruby said there also should be consideration of people who join the workforce directly out of high school. Representative Glassheim said the difference between high school and college is high school is publicly funded and students generally do not incur debt to graduate from high school. Representative Ruby said his idea is not to provide a tax credit just for graduating from high school, but the question is how to retain young people who would be productive members of the workforce and to fulfill workforce needs.

Chairman Grindberg distributed a statement entitled "Innovation, Efficiency and Productivity Incentives" ([Appendix L](#)) prepared by the Greater Fargo-Moorhead Economic Development Corporation. He said he had received this statement this morning and urged committee members to review the statement because of its recommendations concerning tax credits.

Representative Keiser said there is an overemphasis on four-year degrees. He said there is a need in the workforce for students having two-year degrees or postsecondary education certificates. He said there also needs to be a way to encourage students to come to North Dakota. He gave as an example the University of Mary program that includes an incubator program that assists students in establishing businesses.

Representative Ruby said another issue is day care availability. He said one way of helping defray the costs of child care is a child care tax credit.

Senator Grindberg said that what has appeared during all meetings of the committee across the state is that there is a need for a seamless package--something for here and now, e.g., students graduating from college, and something to maximize the assets, e.g., how to improve the education system across the state.

Chairman Grindberg asked for comments from others present. Dr. Larry Skogen, President, Bismarck State College, said there should be a way to ensure the University System has the ability to respond to the needs and desires of industry, such as a pool of funds to provide resources to respond to needs quickly rather than wait for four years to five years to get funding from various sources.

In response to a question from Representative Glassheim, Dr. Skogen said industry has provided

funding for the National Energy Center of Excellence at Bismarck State College, but smaller colleges have a difficult time getting local matching funds for programs.

Senator Holmberg said there are turf issues between the two-year schools and four-year schools as well as between research universities and the other universities. He said there is also legislator concern about providing too much flexibility or pools of money to the University System.

In response to a question from Representative Keiser, Dr. Skogen said he was just providing an idea in response to a request for ideas, and if a pool of money were provided, there would need to be guidelines for properly vetting a request.

Mr. Wayne Kutzer, State Director, Department of Career and Technical Education, encouraged the committee to consider all postsecondary programs, including certificate, two-year degree, and four-year degree programs. He also encouraged the committee to focus on careers that are in demand. He said the workforce enhancement grant program approved during the 2007 legislative session requires private sector local match and that is difficult for small schools to meet. He said incentive funds to allow two-year programs to improve their programs would be helpful.

Representative Keiser said there may be too much focus on target industries. He questioned how long a person is employed in the energy field and whether the energy industry is a long-term career industry due to the focus on younger workers. He said the need is to look at a career for individuals. He said target industries are subjective industries. He said what is critical is getting people who can think and who can solve problems.

In response to a question from Senator Grindberg, Mr. Kutzer said there is a rationale behind giving a larger incentive for students to attend two-year programs rather than four-year programs, but that needs to be based on the demands for workforce.

In response to a question from Representative Ruby, Mr. Kutzer said the ultimate goal should be to provide a workforce to North Dakota employers, whether that means providing incentives to North Dakota students or to out-of-state students who become employed in North Dakota.

Ms. Jeanne MacDonald, Dickinson State University, urged the committee to look at some type of incentive to recruit entry-level workers, regardless of the industry. She urged the committee not to tie incentives to North Dakota students or North Dakota institutions.

LONGITUDINAL DATA SYSTEM REPORT

North Dakota Century Code Section 15.1-02-18 requires the Statewide Longitudinal Data System Committee to provide a report to the Workforce Committee on the status of the statewide longitudinal data system plan. Ms. Lisa Feldner, Chief Information

Officer, Information Technology Department, presented the report entitled *State of North Dakota Longitudinal Data System Strategic Roadmap Executive Summary* ([Appendix M](#)). Ms. Feldner said the committee was authorized \$50,000 to hire a consultant and Claraview was contracted to provide the longitudinal data system study. She said the Statewide Longitudinal Data System Committee is halfway through the recommendations of the consultants and final cost figures have not been determined.

In response to a question from Representative Ruby, Ms. Feldner said the question to ask is what is desired from the system.

In response to a question from Representative Keiser, Ms. Feldner said no in-state firm responded to the request for proposal for the study. She said the study is merely a study and the Information Technology Department would develop the systems. She said North Dakota does not have an ownership interest in the longitudinal data system and there probably would not be much to be gained from state ownership because the system would be built by North Dakota for North Dakota circumstances.

COMMITTEE DIRECTIVES

Senator Holmberg requested the Legislative Council staff prepare a bill draft to extend the time period for a renaissance zone and a bill draft to delete the half-mile requirement for the three-block island and allow the island to be anywhere in the city, as suggested by the renaissance conference. Representative Keiser said he opposes extending the time period for a renaissance zone beyond 15 years because 15 years should be time enough to complete the activity. He said he also opposes deleting or extending the half-mile limit for an island because that reduces the original intent for a renaissance zone to be limited to a depressed area, rather than extending to a larger core area or an area beyond a depressed area. Senator Holmberg said this could be explored further once bill drafts are before the committee for consideration.

Representative Ekstrom said there is a need to look at the cost of the proposals and to determine which proposals are most effective. She said the other side of the issue is the changing demographics in North Dakota, especially in 10 years to 15 years when many people will retire. She requested information be obtained from the Tax Department on the projected impact of the changing demographics of North Dakota in 10 years to 15 years.

Representative Keiser said the way to determine the fiscal impact would be to have specific bill drafts before the committee for which fiscal notes could be requested.

Representative Keiser said a way to obtain workers for training is to provide incentives for internships. He requested the Legislative Council staff prepare a bill draft to provide a \$500 income tax credit per intern per year for up to five interns per company. He said there could be a maximum established so as to provide a better idea of fiscal impact.

Representative Keiser requested the Legislative Council staff prepare a bill draft providing for an income tax credit for student loan interest paid on a student loan obtained from the Bank of North Dakota for an individual who attends a postsecondary education institution inside or outside the state and who files a North Dakota state income tax return.

Representative Johnson requested the Legislative Council staff prepare a resolution draft urging Congress to improve the immigration process for workforce needs.

Representative Ekstrom requested the Legislative Council staff prepare a bill draft based on the Iowa 2010 plan, which creates an immigration work zone in cooperation with federal officials.

In response to a question from Senator Grindberg, Dr. Marsha Krotseng, Vice Chancellor of Strategic Planning, North Dakota University System, said she would work with Job Service North Dakota to provide information on degrees of graduates of two-year programs and four-year programs and the average salaries received by those graduates.

Chairman Grindberg said he will work with Ms. Jennifer S. N. Clark, committee counsel, to prepare bill drafts incorporating various recommendations presented to the committee. He said if any committee member has ideas for bill drafts to be considered by the committee to present those ideas to Ms. Clark. He said the bill drafts would be reviewed by the committee at its next meeting, tentatively scheduled for September 24, 2008, and at a final meeting, tentatively scheduled for October 7, 2008.

No further business occurring, Chairman Grindberg adjourned the meeting at 11:45 a.m.

Jay E. Buringrud
Assistant Director

ATTACH:13